

QUARTERLY MEETING TUESDAY, NOVEMBER 6, 2007 Miramar College, San Diego 10:00 a.m. – 1:00 p.m.

# **MEETING MINUTES**

A meeting of the California Commission for Economic Development was held on November 6, 2007.

# **Commission Members Present**

Lt. Governor John Garamendi, Chair

Mr. Hector Barreto

Ms. Virginia Chang Kiraly

Mr. David Crane

Mr. Daniel Curtin

Ms. Forescee Hogan-Rowles

Mr. Tom Nassif

Honorable Lori Saldaña

Mr. Aubry Stone

Ms. Ashley Swearengin

Dr. Demos Vardiabasis

# Commission Members with Excuses Absences

Mr. Omar Benjamin Honorable Bob Dutton Honorable Mike Machado Honorable Leland Yee, Ph.D.

#### Others in Attendance

Mr. Richard Baum, Executive Director Ms. Michele Gault, Deputy Director Mr. Jose Millán, Guest Speaker Ms. Molly Ingraham, Guest Speaker Mr. Joe Panetta, Guest Speaker

There was a quorum present.

#### WELCOME

The meeting was called to order by the chair, Lt. Governor John Garamendi. The commissioners made self introductions. The Lt. Governor thanked Miramar College for hosting the CED meeting. He stated that the CED has a very important task in addressing short term and long term economic development issues in California, in the context of what is a changed world with international competition, energy and climate change issues. He stated that the commission would take up those issues today as tasks of the CED, and that the commission would also have a discussion on workforce issues as they pertain to biotech and other industries. He said that community colleges play a crucial and critical role in that and therefore it's good to be at Miramar College.

## OATH OF OFFICE

Executive Director Rick Baum announced that the CED has two new members – Ashley Swearengin and Aubry Stone. The Lt. Governor administered the oath of office for Ms. Swearengin and Mr. Stone.

# **APPROVAL OF PRIOR MEETING MINUTES**

Rick Baum stated that minutes from the July 20, 2007 commission meeting were sent to each of the Commissioners, and that staff has not received any comments. He asked if there were any comments. Commissioner Virginia Chang Kiraly asked to add a small addition to her comments on page 3 – to add "and high schools." Rick Baum asked for a motion to approve, with that change. A **MOTION** was made and seconded, and the minutes were approved.

## **FUTURE MEETING DATE**

Rick Baum said that the commissioners have a document that was sent to all of them with three possible dates for a next meeting to be held in Oakland. He asked that the commissioners fill out the form and return it to Michele Gault, so that a future meeting date could be established.

#### **UPCOMING EVENTS**

Rick Baum discussed a number of future events that the CED is involved in, including an economic development conference organized in conjunction with Beacon Economics. Christopher Thornberg, who gave a presentation at the CED's last meeting, is one of the principals of Beacon Economics. The conference will occur at the end of January or in early February in Sacramento. He also mentioned the CED annual report, which will come out in February. In addition, the Commission may become involved with a conference or set of meetings in the San Diego area focusing on rebuilding the community after the fires.

# **ACKNOWLEDGEMENTS**

Lt. Governor Garamendi acknowledged a number of individuals for making the meeting possible and thanked others for being in attendance, including Patricia Hsieh, president of Miramar College, and Constance Carroll, chancellor of the San Diego Community College District. The Lt. Governor briefly introduced individuals who would be giving presentations later in the meeting: Sandra Slivka, director of the Southern California Biotech Center; Jose Millan from the California Community Colleges; Molly Ingraham, from the California Healthcare Institute; and Joe Panetta, CEO of BIOCOM.

## **DISCUSSION**

The Lt. Governor, in reference to the rebuilding programs in San Diego and San Bernardino Counties, stated that there was a possibility that these programs could achieve going green, which is state policy, and that this may become a focus of the CED. Assemblywoman Lori Saldaña said that she is chair of the Assembly housing committee and that more than 1,500 homes in San Diego County will be rebuilt, and that the legislature instituted green standards. She stated that this will be a good opportunity for contractors and the building industry, even though it is resulting from a tragedy.

# **MISSION STATEMENT & OBJECTIVES DISCUSSION**

Rick Baum led a discussion on the CED mission statement and objectives, which were sent to commissioners in a draft form. The mission and objectives were developed based on input from the commissioners. A number of issues were brought up, such as the need to include a reference to regional economic development, the definition of "sustainability" as used in the mission statement, the decision to include language on supporting AB 32 implementation, goods movement policy, workforce development and public-private partnerships, and integrating international workers into the domestic workforce. Rick Baum explained how the statements were modified and said that the CED's goal today is to approve the objectives and the mission statement.

A number of commissioners joined in the discussion, discussing the high speed rail mention and changing that to a wider mention of the development of a statewide transit system that fit in with supporting AB 32 implementation. Other topics included public private partnerships and including "regional" in the description to fill in the gap between local and statewide economic development. Vice Chair Tom Nassif said that the CED should focus on economic feasibility and financial sustainability.

Commissioner Demos Vardiabasis asked to consider including "services" under section (d), in the goods movement objective. He suggested including education as a service – global human capital, and tourism, especially from Asian countries, as their incomes increase, promoting travel to California.

The Lt. Governor said that the commission may need to add an additional objective, and that we will make some changes and come back.

Commissioner and Assembly Member Lori Saldaña asked to include a reference to "resource management" in the objectives.

Commissioner Ashley Swearengin asked how the CED sees these objectives being addressed, practically, and what the work would involve. The Lt. Governor said that the commission is keeping the objectives to a limited number and that he recommends that in the first year of the CED, we try to focus on these objectives and come up with specific recommendations to the Governor and legislature, either supporting or opposing legislation.

Rick Baum said that an example is AB 1460 by Lori Saldaña regarding green building standards for Proposition 1C monies. That is consistent with one of the objectives. The CED could take a position on that, to support it, for example.

Virginia Chang Kiraly, referring to the section that calls for promoting "reduced barriers to sustainable growth" asked if there may be a place in objective #2 to deal with the tax treatment of businesses, to encourage more businesses to come to California. The Lt. Governor said this is certainly an area that will be discussed in the coming year.

Rick Baum offered to spend some time developing an approach to that issue because it is very important.

Forescee Hogan-Rowles emphasized the importance of making sure that low-income, underserved communities are considered in the CED objectives. Rick Baum said that is an excellent point and that it would be addressed at the next meeting at the Port of Oakland.

Lori Saldaña suggested adding a point about "diversity" to the objectives, in regard to workforce.

The Lt. Governor said we will make some edits and put this discussion off until the end of the meeting.

## **GUEST PRESENTATIONS**

The Lt. Governor introduced Joe Panetta, CEO of BIOCOM, representing 550 biotech companies in Southern California.

Joe Panetta provided remarks to the Commission, outlining the responsibilities and objectives of BIOCOM, the trade association for Southern California's biotechnology industry. The organization's mission is to position the region on the world stage in life sciences innovation. He discussed a number of opportunities and challenges faced by the industry. He said that the presence of the industry in California is the result of a successful convergence of a number of elements, including world-class research facilities and the symbiotic working relationship between academia, nonprofits and the private sector. Discussing start-ups, he said it takes 10-15 years for a company to move a product through to the FDA. California has done some different and unique things to support this industry, for example, in the field of stem cell research, through Prop. 71. He said that one of the challenges to the industry is that many other states are trying to pick off the most lucrative parts of our state's industry. Other states have offered extensive incentive packages to lure California companies to leave the state. He used Amlin Pharmaceuticals as an example. They were provided an impressive package of incentives by Ohio and ultimately placed a manufacturing facility there. Ohio enacted changes to its tax structure which will also help the company. This is one of the challenges the industry is dealing with. Over the past 2 years, BIOCOM has talked about developing a hyper weighted sales factor for California companies. Corporate income tax is determined by four factors: property, payroll, and double weighting on sales. The net effect is to penalize industries like life sciences who must invest heavily in equipment, property and personnel. Every time an additional person is hired, companies are penalized. The proposal would increase the weighting of sales, thereby decreasing the weighting of payroll and property, helping to make companies more competitive. California does not have a strategic plan for biotech. There is still an opportunity to adopt such a plan. BIOCOM has a presence is Sacramento and

they have devoted resources to advocacy. Regarding workforce, BIOCOM is active in nurturing the next generation of life sciences. They established a Life Science Summer Institute, together with San Diego Workforce Partnership. Unfortunately the federal grant supporting this program has been discontinued. They would like to have it continued, perhaps at the state level. Companies in the industry can help to offset costs but they need additional support.

The Lt. Governor asked if BIOCOM is involved with bioagriculture and biofuels. Joe Panetta replied and said absolutely. He discussed the importance of bioagriculture and clean technology.

The commissioners continued a dialogue with Joe Panetta, discussing tax structure and competition with other states. Joe Panetta mentioned a 2-year bill that was introduced in the legislature last year. Other discussion topics included the challenges of reaching out to underserved groups and minorities to inform them about job opportunities in the life sciences field.

The Lt. Governor thanked Joe Panetta and welcomed the next presenter, Molly Ingraham, VP of operations for the California Healthcare Institute (CHI).

Ms. Ingraham provided background on the CHI, describing the La Jolla based organization as a non profit, public policy research organization, with offices also in Sacramento and Washington, DC. CHI compiles an annual report on the economic impact that the life sciences industry makes in California. She discussed some of the key findings from the 2006 report (note: Commissioners received a copy of the report.) She explained that CHI looks at several segments of the life sciences industry, including academic research, biopharmaceuticals, the diagnostics sector, medical devices, wholesale trade and laboratory services.

In highlighting some key figures, she stated that there are 2,700 biomedical companies in California and that no other region comes close. Revenue from these companies is estimated at \$62 billion annually. Estimated employment is 260,000. California attracts more than 50% of all venture capital investment in the biomedical industry. She mentioned a number of products that have come from California companies. Next, she discussed workforce issues. CHI asked its member companies – what were the factors influencing their decision to locate or expand a facility in California? Their #1 answer was ability to find talent. Many of these companies are clustered near universities or research institutions. For CHI, developing the workforce could not be more important. Working with the community colleges, with the universities, is very important to CHI and to the industry as a whole.

The commissioners had a discussion and question and answer session regarding the following topics: energy activities and its relevance to biotechnology; skilled workforce and types of jobs available to people who complete a certificate program; and online and distance learning and job training.

The Lt. Governor introduced Jose Millan, vice chancellor for economic and workforce development for the California Community College Chancellor's Office.

Mr. Millan briefly described the community college system and how it is organized in the state. He talked specifically about the workforce programs and how the colleges are responsive to local needs, as in the biotech industry in the San Diego area. There are a number of initiatives, one of which is biotech-focused. He discussed budget allowances for Career Technical Education (CTE) programs. The initiative was funded at \$52 million in 2007 and will be at \$58 million in 2008. He said that the funding doesn't go very far in a large state like California. The funding addresses a variety of thematic programs. The money should be leveraged with other funding, such as grants, WIA dollars, and private sector funding. The community colleges are encouraged to develop effective partnerships so the money can be utilized most effectively. He brought up Ohio as an example. The state realized that the K-12 system has enough problems of its own and has taken adult education out, and put it in the community college system. One of the things it has done is promote the ability of each segment to focus on what they do best. K-12 faces a lot of problems – motivating kids to stay in school, etc. The

community colleges specialize in adult education. Mr. Millan posed this idea as something for the CED to consider.

The Lt. Governor said that one of the things the CED is doing is trying to figure out what the CED is going to be and Mr. Millan has proposed a radical change in the education system that we can think about.

The discussion continued, with commissioners discussing possibly advocating to make a change in the way adult education is managed at the state level.

The Lt. Governor invited the community college district to speak.

Chancellor Constance Carroll discussed the adult education system in the San Diego region, indicating that in San Diego, the community college district chose to undertake the adult education responsibility and that in California there are uneven representations of the adult education programs. She said that it makes good sense for the community colleges to perform this function. She gave an example of a workforce development program the San Diego community colleges are involved in, a partnership with a local steel and shipbuilding company called NASCO. She discussed other workforce programs in allied health and automotive technology and other areas where there are worker shortages. She said the colleges are very helpful with providing workers for the biotech industry.

The Lt. Governor invited Dr. Sandra Slivka, director of the college's biotechnology program, to speak.

Dr. Slivka explained the biotechnology certificate programs offered by Miramar College and that they respond directly to the industry's needs. The Lt. Governor asked Dr. Slivka to clarify what she meant by "responding to the industry." Dr. Slivka explained that her program works with an industry advisory board. They help to provide information on the need for workers and types of training desired by the private sector firms.

Commissioner Daniel Curtin said that what Dr. Slivka described really parallels the apprenticeship program for the carpenters. He asked if the private sector contributes financially. Jose Millan responded, saying that the community college system provides some of the funding for these initiatives, but that the schools are expected to seek additional funds through grants and private sector partnerships.

Patty Cooper, executive director of the California Biotechnology Foundation, spoke about private industry partnerships through the industry associations and that a number of companies fund projects at the K-12 and community college levels. The Foundation is putting together a list of those projects.

Ashley Swearengin asked José Millan if the community colleges have more room for students in the CTE programs. She said that it seemed as though most programs in the Central Valley are full. Millan said that it depends on the program. For example, nursing is full, but in other programs, there is an opportunity to expand, for example, in nursing they are putting up \$4 million for 3 new nursing programs.

Virginia Chang Kiraly asked if private technical/trade schools such as ITT Tech compete with the community colleges and José Millan responded that yes, they do, but that the community colleges offer a much lower cost.

Lori Saldana asked about the multiplier effect in terms of jobs created to assist Ph.D. researchers, for example, and also whether distance and online learning programs are available. José Millan responded that yes, they do have online and distance learning programs available.

David Crane asked José Millan if he knew how much the private sector contributed to the community colleges, financially, specifically looking at Solano College and Genentech. Millan responded that it is difficult to quantify but that Genentech has developed a consortium of biotech companies that partner with the community colleges on workforce development issues.

## **ADVISORY COMMITTEES**

Rick Baum explained that any advisory committee is permitted by statute but in this instance, the biotechnology committee is not one of the mandatory committees. Three persons have been nominated to serve on the biotechnology committee, and the commission was asked to vote to approve the establishment of the committee and of the proposed members.

The commissioners discussed the proposed biotechnology advisory committee. David Crane noted the need to be careful in focusing on certain industry segments and not others, and that it is important to nominate people, not only from industry groups and associations, but people that run businesses. The Lt. Governor agreed on the second point and explained the reasoning behind establishing a biotechnology committee, due to its status as a major growth industry in the state. He encouraged other commissioners to put forth names for committee membership.

It was recommended that the CED approve establishing an aerospace and a biotechnology committee. The Lt. Governor called for a motion. A **MOTION** was made, seconded and approved.

Vice Chair Tom Nassif discussed the reasons for establishing an advisory committee on agriculture, explaining the importance of the industry to the state's economy.

A **MOTION** was made to establish the committee. The Lt. Governor said that names of committee members would be available at the next commission meeting in February.

The commissioners had a discussion about whether an agricultural committee was necessary, because of the existence of the California Department of Food and Agriculture (CDFA). The Lt. Governor and Tom Nassif explained the differences between what the CED would do and what the CDFA is responsible for. Lori Saldaña reiterated her support for establishing the committee, stating that San Diego County relies heavily on high value crops grown there.

The commissioners voted to approve the agricultural committee.

#### MISSION STATEMENT AND OBJECTIVES

The Lt. Governor returned the discussion to the revised mission statement and objectives. Commissioner Aubry Stone made a **MOTION** to approve the mission statement and objectives. The motion was seconded.

Commissioners discussed the proposed statement and set of objectives. David Crane brought up the issue of corporate tax policy and its impact on California companies and large employers. The Lt. Governor said that the CED will take up this issue. Rick Baum stated that it will be presented at the next meeting. The Lt. Governor suggested adding it to the set of objectives. A few other minor changes were made to the documents. The motion to approve the mission statement and objectives was seconded and the commission voted to approve the document.

The Lt. Governor said that a mention of the service industry would be discussed at the next meeting.

Approved: February 13, 2008

Meeting was adjourned at approximately 12:45 p.m.

Meeting minutes submitted by Michele Gault